

May - June
2002



WASHINGTON STATE
GAMBLING COMMISSION

Focus n Gambling

Budget Information From Director Day

The mission of the Washington State Gambling Commission is to protect the public by ensuring that gambling is legal and honest. The Commission is delegated the sole authority to license and regulate authorized social gambling activities and tribal gaming activities pursuant to tribal/state compacts. The agency is also directed to control unauthorized gambling activities. These responsibilities are accomplished through the administration of a statewide regulation and control program in cooperation with all other law enforcement agencies.

The agency has been implementing reduction, efficiency, and reorganization decisions necessary in reaction to the legislative reduction of \$2.45 million from the Commission's fund balance, a projected revenue shortfall caused by fewer house-banked card rooms (HBCR) than were originally projected when the program was first implemented, and by an error in projections of card room employee licensing revenue.

The primary focus was to accommodate the reductions while maintaining the Commission's regulatory activity. The agency recognized that freezing the hiring of staff and freezing equipment purchases did little over the long term. In fact, decisions like postponing technology investments could actually increase the agency's costs. Such cuts achieve a one-time benefit and can actually damage long-term agency efficiencies. The agency also recognized that any effort to eliminate agent positions and line services would directly affect the Commission's ability to provide the services that have been paid for by our licensees, and services expected by the public.

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Mission Statement

Protect the public by ensuring that gambling is legal and honest.

Commissioners:

George Orr, Chair
Curtis Ludwig, Vice Chair
Liz McLaughlin
Alan Parker
Judge Janice Niemi (Ret.)

Ex-Officio Members:

Senator Margarita Prentice
Senator Shirley Winsley
Representative Alex Wood
Representative Cheryl Pflug

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New agency reorganization
effective July 1, 2002

ADMINISTRATION

Executive Director Rick Day

Special Assistant Ed Fleisher
Executive Asst. Shirley Corbett

Human Resources

Director Phyllis Halliday

Business Office

Manager Bob Sherwood

Information Services

Manager Tom Means

Licensing Services

Assistant Director Derry Fries

Communications & Legal Department and Financial Reporting Services

Manager Amy Patjens

OPERATIONS

Deputy Director Robert Berg

Electronic Gambling Laboratory

Manager Dallas Burnett

Tribal Gaming Unit

Agent in Charge Julie Lies

Criminal Intelligence and Financial Investigations Unit

Agent in Charge Neal Nunamaker

Special Investigations Unit

Agent in Charge Paul Swartz

Field Operations

Assistant Director Cally Cass-Healy

Eastern Region:

Agent in Charge Gary Drumheller

Northwest Region:

Agent in Charge Greg Thomas

Southwest Region:

Agent in Charge John Brinsmead



Editor:

Cindy Reed

Layout & Design:

Carol Becerra



Newsletter Changes: Message From the Editor

Part of our efforts to economize due to the budget challenges addressed in Director Day's message involve the Focus on Gambling newsletter.

Instead of sending the newsletter every other month to all licensees, we will begin publishing it on a quarterly basis, beginning next quarter. Therefore, the next newsletter will be issued for the period from July-September 2002. The card room industry newsletter will continue to be issued on a semi-annual basis.

In 1998, we averaged 6,000 copies each edition, which cost \$29,312 including printing and mailing. In 1999 as the number of Card Room Employees increased, our average number of copies was 8,500 for a total cost of \$32,066. In 2000, we started the Card Room Industry newsletter and reduced the total cost for both versions to \$25,817. In 2001, our total cost for the Focus on Gambling and the Card Room Connection was \$20,480. In the future, we may send several copies to each card room instead of sending directly to each card room employee to realize additional economies.

I want to take this opportunity to welcome the new editor, Susan Arland. Susan is also the Rules Coordinator and Public Information Officer has had a lot of involvement in the newsletter up to now. I know she will do a great job, but you can make her job easier by sending her ideas of things you would like to see in the newsletter. Susan can be reached at (360) 486-3466 or via e-mail at

Gambling Commission Asset Forfeiture Case is Successful

Director Rick Day recently accepted a check for \$11,000 on behalf of the Gambling Commission from Charles Mandigo, Special Agent in Charge of the FBI in Seattle. The check represents the Commission's share of seized assets from a joint investigation that was conducted in Spokane in 1999-2000.

In that case, an investigation by a WSGC Special Investigations agent uncovered a major bookmaking operation spreading across the US and beyond. The case involved a former organized crime informant who set up a computerized bookmaking operation in a Spokane espresso business that never brewed a drop. The operation employed 15 bookies that processed at least \$100,000 a week in bets in Spokane with over 360 active bettors who were given code names to call in their bets. In addition it had ties to East Coast bookies.



The kingpin in Spokane, Nicholas Mitola Jr., pled guilty in federal court and received a prison sentence along with several associates. Additional ongoing investigations may lead to Washington State charges being filed against bettors and other persons involved.

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Director Rick Day accepts a check on behalf of the Gambling Commission from Charles Mandigo, Special Agent in Charge of the FBI in Seattle.

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During the service of search warrants, a large sum of cash was seized. It was processed in the federal system by the Asset Forfeiture and Money Laundering section of the US Department of Justice. Although a portion did get returned, the remainder was seized under law. The Gambling Commission was awarded the money as a sharing partner with the FBI.



What's New On the Web

The Gambling Commission web site has been expanded to include the following updated information:

- Addresses and phone numbers for the regional offices instead of just the Lacey Headquarters information
- Record keeping forms for bingo, pull tabs, card rooms, and raffles

We are also working on re-designing the ways in which the public can contact us with their questions as well as review Frequently Asked Questions (FAQ's). We will place a new button on the front page that reads "Contact Us". When you click on that button, you will see several topics displayed; for example: Licensing, Tribal Casinos, Reporting Criminal Gambling Activity, Financial Reporting and each specific licensed activity (Bingo, Punchboard/Pull Tabs, Card Rooms, Raffles or Reno Nights, and Amusement Games).

If you want immediate information, we encourage you to read through the FAQ's for that particular area to see if your question has already been asked. If you don't see the question there, you can send a direct e-mail to a staff member who will respond in a timely manner.

Mandatory Training Changes are in the Works

A committee comprised of agency staff in Licensing, Field Operations, Financial Reporting and the Communications and Legal Department have been looking at ways to make licensee training more effective and accessible. In the coming months, you will be alerted to changes as they are made to our current system of training.

The first changes will occur in card room training in the fall. These changes involve no longer requiring attendance at one of the monthly instructor led training classes for owners, managers, and card room employees. Instead, we will be incorporating additional training material into the Pre-Operational Review and Evaluation (P.O.R.E.) program for owners and managers, and supplying either videos or written training material to the card room operators for employee training. This change will satisfy the training requirement presently mandated by WAC 230-04-050.

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After completing our revision of card room training, we will be examining the rest of the curriculum we offer for other licensed activities. As part of the review, we will discuss whether to continue to make training a pre-licensing mandatory requirement. If the decision is made to remove the training requirement, a WAC rule change will be presented to the Commission at the August or October Commission meeting.

Presently, we offer instructor-led classes every month in several locations within the state, video/affidavit training for chief executive officers of nonprofit organizations, and web based training for raffles and pull tabs.

We are interested in hearing from you, our licensees, on this program that began in 1988. While we have had good success in using mandatory training to gain voluntary compliance through education, we feel we can achieve the same goal using new approaches.

Please contact Cindy Reed at (425) 277-7014 if you have comments or suggestions about the training program. You can also contact Cindy through e-mail at cindyr@wsgc.wa.gov.



Alert from the Department of Social and Health Services

One of the bills passed in the 2002 Legislative Session will make it illegal for public assistance clients to use an Electronic Benefits Transfer (EBT) card to gamble. Additionally, licensees regulated by the Gambling Commission, Lottery, and Horse Racing Commissions are prohibited from allowing the use of public assistance EBT cards for gambling. This law became effective on June 13, 2002.

On July 1, 2002, a notice was provided by the Department of Social and Health Services (DSHS) in seven languages plus English (Cambodian, Laotian, Vietnamese, Chinese, Korean, Russian, and Spanish) to clients receiving their cash grants on the EBT card.

If you are a licensee offering gambling activities, you are required to report to the Department of Social and Health Services any known violations of this law. (See Chapter 252, Laws of 2002, Sec. 1(1). This portion of the new law has been included in the back of this newsletter with the rest of the new laws passed in the last legislative session.) DSHS is currently working on identifying the process for notifying the Department and will send that to you as soon as it is finalized.

Gambling Commission field staff are also being alerted to the improper use of EBT cards. If they receive a complaint from the public or find during an inspection that a public assistance client is being allowed to improperly use an EBT card for a direct gambling purchase, your gambling license may be in jeopardy.

If you have any questions about this new law, please contact Renia Neuhauser of DSHS at (360) 413-3309.



What's in a Name?

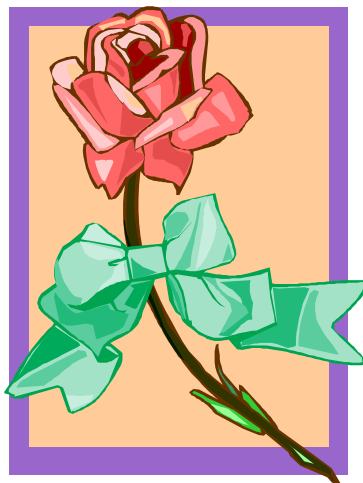
By Kathy Mills, Financial Reporting Services

What 's in a name?
That which we call a rose
By any other name
would smell as sweet.

Many of us remember this famous excerpt from William Shakespeare's *Romeo and Juliet* (Act ii. Sc. 2.) The lines inspire some deep thinking as we contemplate the meaning behind the words. Basically, these words seem to imply that there is a lot more behind a name than just the name.

There IS a lot more behind a name than just the name. This is true when you sign your activity report. Your signature on that report says far more than you signed this activity report. It says that you have reviewed the report. It says that you have analyzed the report for reasonableness. It says that you find the report true and correct. You should review your accounting records to have a reasonable basis for your belief that the report is true and correct.

Your signature on an activity report takes on even more importance if you are signing on behalf of a nonprofit organization. The directors of the board for a nonprofit have duties and responsibilities that are very important. These duties include ensuring effective organizational planning, ensuring adequate resources, and managing resources effectively. Board directors are trustees who act on behalf of an organization's constituents, including service recipients, creditors, members, the



government, and taxpayers. The board of directors has the principal responsibility for fulfillment of the organization's mission and the legal accountability for its operations.

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The law imposes on these directors specific fiduciary duties of care, loyalty, and obedience to the law. These duties require that the activity reports properly reflect the operating results and financial condition of the gambling activities of the organization. Part of understanding

the financial condition means that the directors of the board for a bingo operation need to be aware of the adjusted cash flow requirements imposed by WAC 230-20-059.

They need to know how the organization is doing at meeting these requirements ... even before they find they are in trouble. This awareness of the true picture of their organization's effectiveness is essential for a director to do his or her duty and meet corresponding responsibilities. This awareness is imperative before signing the activity report.

Our legal department has been involved with several administrative cases involving nonprofit organizations that have not met their cash flow requirement. This has led to summary suspension of some bingo licenses for nonprofit organizations. Some officers who had not educated themselves about this requirement were upset when their gambling operation had to be discontinued because of failure to meet these requirements.

So remember what is in a name. When you sign your activity report, you are attesting that you have reviewed the report and found it true and correct. Protecting your good name by verifying the figures on your report is a smart move.

What can I do to protect my organization?

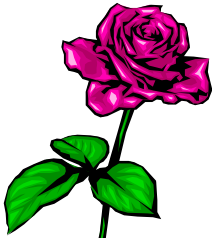
Perhaps now would be a good time to review the "Responsibilities of Officers in Nonprofit Organizations" video with the rest of your board and executive management. The Commission has provided this video to all licensed nonprofit

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gambling licensees. Review the handbook associated with the video and discuss ways in which you could prove to your members that you are showing proper diligence in safeguarding their organizational funds and assets and becoming knowledgeable of all laws and rules that govern your gambling activity.

If you need an additional copy of the video, contact our Lacey office at (360) 486-3440 or send the request through our web site (www.wsgc.wa.gov).



Requirements for Annual ID/Inspection Stamps

The Gambling Commission hopes that 2002 is bringing many successes to your organizations. Commission staff have received many questions regarding the requirements for annual ID/Inspection stamps (WAC 230-08-017). The purpose of this article is to answer what equipment requires an annual stamp, where the stamp should be posted, and the cost of the stamps. Please refer to the table below:

Equipment Requiring Annual ID/Inspection Stamps	Where to Place the Stamp on the Device	How Much is the Annual Stamp?
Electronic Pulltab Dispensing Devices*	Outside of main body that is not normally removed and replaced.	\$102.79 per device
Coin or Token Activated Amusement Games**	Permanently and conspicuously posted. Preferably inside the game.	\$25.69 per game
Electronic Bingo Card Daubers	Permanently and conspicuously posted.	\$10.27 per dauber
Electronic Card Facsimile Tables	Outside of main body that is not normally removed and replaced.	\$350.00 per table

*Electronic pull tab dispensers that require initial and ongoing evaluation of electronic components or functions, such as reading encoded data on pull tabs and/or accounting for income or prizes.

**Coin or token activated amusement games operated at Class A amusement game licensed locations require annual stamps.

If there are any questions, please do not hesitate to call the Amusement Game/Gambling Device Coordinator, Tony Hughes, at (253) 471-5312, extension 234. If you need to purchase stamps, please call Financial Analyst Ray Ebio in the Business Office at (360) 486-3495.



Differences Between *Permanently Held* and *Reserved* Pull-Tab Games

Another issue that has caused phone calls to the staff of the Commission is clarification about games that are "permanently held" versus simply "reserved" for a player.

Here is a recap of the two rules involved:

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WAC 230-30-050(6) Permanently Held Games

Allowed for **a specific player** who leaves the premises but intends to return to play at a later date:

- Must be wholly contained in a secure manner, identified as permanently held, and stored in immediate vicinity of the pull tab area.
- Adequate records maintained showing status of permanently held games
- **Once the player is finished playing, it must be pulled from play.**
- May be held up to 14 days, but not longer than 7 days without play by the specific player who asked to have it held.
- **No more than 25 games may be held at one time.**

WAC 230-30-050(7) Temporarily Held games (Reserved Games)

Allowed for **a specific player** as long as:

- Specific house rules must be established and posted including reasons for reserving and maximum time the game may be reserved.
- Game must be designated as reserved.
- **These may be returned to normal play at a later time.**
- **No limit on how many games can be held or how long they can be held as long as it conforms to house rules.**

The primary difference is that the reserved game must remain in the same place and in the same container, generally with a sign stating that it is reserved. A permanently held game can be removed from its original container during the period it is being held.

If you have further questions about these differences, contact your field agent.

Figuring Cost for Merchandise Mark-Up in Pull Tab Games

By Lisa Saila, Distributor/Manufacturer Coordinator

In light of recent rulings by the Department of Revenue, some punchboard/pull tab licensees have asked for clarification about the definition of cost when figuring their merchandise prizes.

WAC 230-02-022 states that cost "excludes" all sales taxes paid by the purchaser. Therefore, sales tax **cannot** be included when calculating the payout percentage.

When determining the percentage of prizes offered on any punchboard, or in any pull-tab series, total merchandise prizes shall be computed at the amount actually paid by the licensed operator plus fifty percent of the actual cost. For example: if a television was purchased for \$200 plus tax of \$15, the licensee must figure the 50% markup on \$200

(and not \$215) when figuring the 60% payout minimum. In this instance, the value of the prize would become \$300 for mark up calculation.

Our definition of cost should not be confused with the definition of cost as defined by the Department of Revenue, which does include sales tax.

So when can you report taxes paid? Licensees are required to report sales tax paid on merchandise prizes actually awarded when filing your quarterly activity with the Commission and when reporting taxes paid on the actual punchboard or pull tab game when it is purchased from the distributor. The only time you will not use it is when calculating the 60% minimum mark-up for a game.

If you need any further assistance regarding this issue, please contact Lisa Saila, Special Agent Manufacturer/Distributor Coordinator at (360) 495-3047.

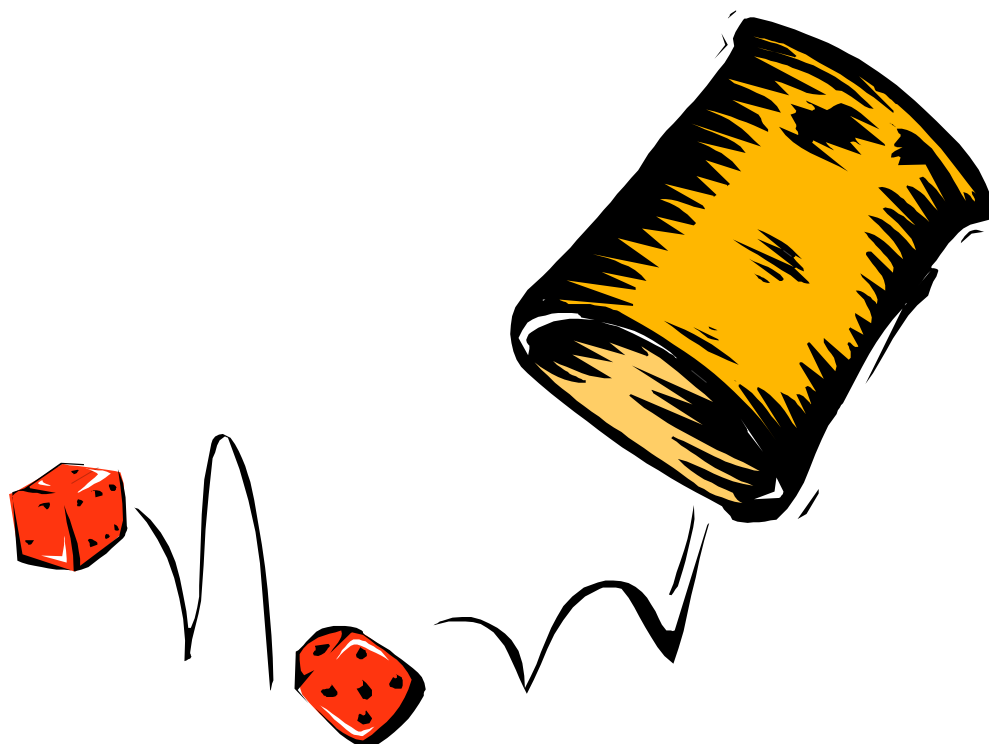


Washington State Gambling Commission

Administrative Case Update

LICENSEE	VIOLATION	CASE OUTCOME
Allen Barney (CRE formerly employed at Hawk's Prairie Casino, Lacey).	License revocation due to criminal history.	The licensee agreed to surrender his license, and not re-apply until after December 2003.
Sina Ratnajun (CRE, Freddie's Club, Renton).	License revocation due to criminal history.	The licensee agreed to surrender her license, and not re-apply until after February 2003.
Brent Slattum	License denial due to criminal history.	The licensee agreed to withdraw his application, and not re-apply until after November 2003.
American Legion Post #209, Moses Lake	Failure to have independent system of internal controls, resulting in a loss of pull-tab receipts.	The licensee agreed to a 30 day suspension. 15 days of the suspension were deferred for one year. The remaining 15 days were vacated by payment of a \$834 fine. The licensee also agreed to reimburse the Commission for its investigative and administrative costs in the amount of \$2,136.
Loyal Order of Moose #996, Port Angeles	Failure to have independent system of internal controls, resulting in a loss of pull-tab receipts.	The licensee agreed to a 30 day suspension. 15 days of the suspension were deferred for one year. The remaining 15 days were vacated by payment of a portion of the Commission's investigative and administrative costs in the amount of \$2,500. The licensee also agreed to pay for the cost of a follow-up investigation.
Paradise Village Bowl Restaurant, Tacoma	Failure to make weekly deposits to its progressive jackpot account.	The licensee agreed to a 15 day suspension. 10 days of that suspension were deferred for one year. The remaining 5 days were vacated by payment of a \$20,881 fine. The licensee also agreed to reimburse the Commission for its investigative and administrative costs in the amount of \$735.
Sidney's Restaurant & Sports Bar, Aberdeen	Failure to disclose loans.	The licensee agreed to a 3 day suspension. 1 day of the suspension was deferred for one year. The remaining 2 days were vacated by payment of a \$473 fine. The licensee also agreed to reimburse the Commission for its investigative and administrative costs in the amount of \$1,620.
Sugarloaf Creations, Colorado	Placing commercial amusement games in two unlicensed premises.	This is the licensee's second violation in a two year period. The licensee agreed to a 30 day suspension. 15 days of the suspension were deferred for one year. The remaining 15 days were vacated by payment of a \$3,410 fine. The licensee also agreed to reimburse the Commission for its investigative and administrative costs in the amount of \$1,590.
Annie Fannie's Casino, Spokane	Allowing CREs to work without first submitting transfer applications.	The licensee agreed to serve a 2 day suspension.

LICENSEE	VIOLATION	CASE OUTCOME
Loyal Order of Moose #229, Hoquiam	Summary Suspension – Negative adjusted cash flow for two quarters.	The licensee agreed to surrender its bingo license.
Boys & Girls Clubs of Snohomish County, Mukilteo	Summary Suspension – Negative adjusted cash flow for two quarters.	The licensee agreed to surrender its bingo license.
Residence East, Renton	Summary Suspension – Negative adjusted cash flow for two quarters.	The licensee agreed to surrender its bingo license.
Fraternal Order of Eagles #289, Yakima	Summary Suspension – Negative adjusted cash flow for two consecutive quarters.	Following issuance of the Summary Suspension, the licensee submitted amended Quarterly Activity Reports for the quarters in question. Staff's review of those amended reports confirmed that the licensee did not have a negative adjusted cash flow for one of the quarters. Therefore, an Order of Dismissal was entered, and the licensee's bingo license was reinstated.
YWCA, Yakima	Summary Suspension – Negative adjusted cash flow for two consecutive quarters.	Following issuance of the Summary Suspension, the licensee submitted amended Quarterly Activity Reports for the quarters in question. Staff's review of those amended reports confirmed that the licensee did not have a negative adjusted cash flow for one of the quarters. Therefore, an Order of Dismissal was entered, and the licensee's bingo license was reinstated.



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Ultimately, the decision was made to direct the cut at the agency's management level. The agency has undertaken measures to realign various duties, responsibilities and positions to create an efficient organizational structure designed to prepare the agency for the future. (See page 2 for current organizational chart.) In support of the agency reductions, the Commissioners also cancelled the September 2002 Commission Meeting.

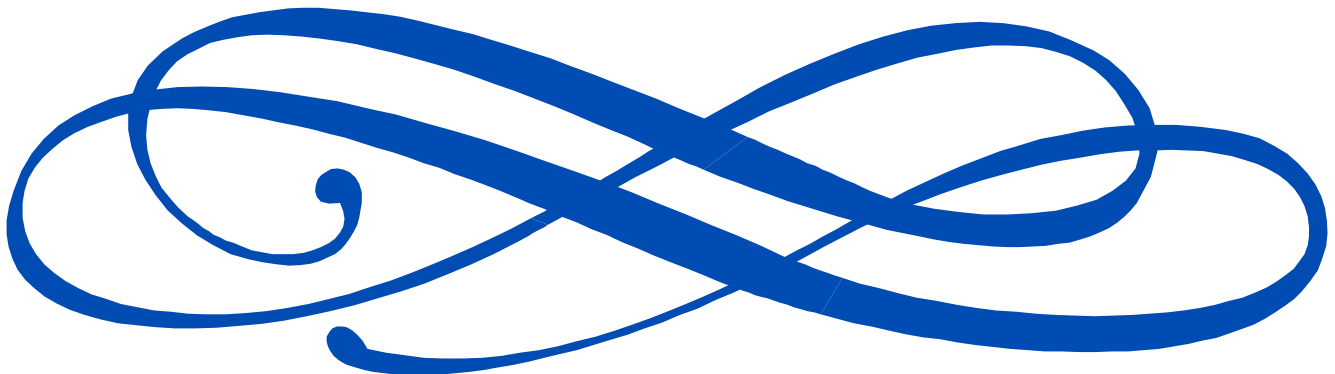
Other specific reduction actions taken included:

❖ Eliminating resources for unrealized house-banked card room growth (17 positions)	\$874,000
❖ Reorganization of operations duties (3 positions)	\$241,000
❖ Eliminate Council on Problem Gambling Contract	\$150,000
❖ Reduce six management positions	\$377,000
❖ Manage operations to achieve 2.5 percent vacancy rate	\$177,000
❖ Defer Information Technology initiatives	<u>\$127,000</u>
Total Reduced	\$1,946,000

The Commission's budget plan for Fiscal Year 2003 reduces expenditures by almost \$2.45 million. The budget being developed for the 2003-2005 Biennium will be approximately \$28.7 million, which is more than \$1.4 million below the budget authorized by the Commission for the current biennium.

At this point, licensees should not see a direct impact to licensing or field services. However, the reduction of the September 2002 Commission meeting may cause some delays or scheduling complications. The agency is continuing to look for efficiencies and ways to streamline service delivery, and as these concepts are identified and implemented, licensees may experience some future impact.

The Commission is continuing to work with staff from the Office of Financial Management and appropriate Legislative representatives to prevent future fund transfers from the Gambling Commission Revolving Fund. As we guide the agency through this difficult period, we remain committed to being a premier gambling regulatory agency committed to sustaining a principled, fair and consistent regulatory environment.



RULES ADOPTED AT THE MAY COMMISSION MEETING

To Become Effective July 1, 2002

RULE DISCUSSED AT THE MAY AND JUNE COMMISSION MEETINGS

GAMBLING PROMOTIONS

There has been a general prohibition against licensees giving credit, loans or gifts to persons participating in gambling activities. Over the years, the commission has granted specific exceptions to this general prohibition. Last year, gambling promotions were discussed at several commission meetings and more requests for exceptions were under consideration. As such, staff felt it was an appropriate time to address all promotions, rather than continuing to make exceptions to the general prohibition.

During the last year, staff have discussed gambling promotions with all licensees. There were some disagreements with the proposed rules, such as the \$500 limit on promotional items. However, the staff felt the monetary limit was required as a part of the agency's regulatory program. This rules package sets forth the parameters licensees must follow when offering promotions in conjunction with gambling activities; therefore, staff will no longer need to review individual promotions.

PETITION FOR RULE CHANGE BY SHERRY GILLARD

A petition for rule change from Sherry Gillard was filed at the May commission meeting. Ms. Gillard is a licensed card room employee and poker player and has requested an amendment to WAC 230-40-610(6). Ms. Gillard is requesting that card room owners and on-duty card room employees no longer have to show their cards unless there is possibility of a "bad beat" situation. Ms. Gillard feels that requiring owners and on-duty employees to show their cards after each game compromises their playing style and ability to effectively participate in a game.

Currently, WAC 230-40-610 requires card room owners and on-duty card room employees that are playing in a poker game with a player-supported jackpot to show their hands at the end of play when the prize is not based upon a predetermined hand. This requirement prevents an owner or employee from folding their hand to avoid paying out a jackpot, which did occur. Staff supports Ms. Gillard's request for rule change.

RULES FILED AT THE JUNE COMMISSION MEETING

BINGO LEGISLATION

During the 2002 Legislative Session, RCW 9.46.0205 was amended at the request of bingo licensees. The purpose of the law was to allow charitable and nonprofit organizations to conserve funds so that they may use monies to their stated purposes, rather than on operating expenses (such as rent and utilities). The law becomes effective June 13, 2002, and does the following:

- 1) Removed the restriction on how many times a week a bingo licensee may operate. Previously, bingo could only be operated up to three days a week.
- 2) Allows bingo halls to share a facility and operate up to seven days a week in such facility. Previously, the building in which bingo was operated could only be used for bingo games up to three days a week; and

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- 3) Requires bingo licensees, which operate in a facility that offers bingo more than three days a week, to include language in all promotions and advertising warning patrons that gambling can result in emotional and financial harm.

During April and May, staff held five meetings with bingo licensees throughout the state to gather their input and ideas regarding the legislative changes. Following are several issues that came forward during these meetings.

Shared Management

Licensees requested the ability to share management among licensees within a bingo hall. However, other licensees thought management, equipment and all other factors should be kept separate – merely two separate licensees sharing a building. The issue of shared management requires substantial review from a regulatory standpoint. The issues with shared management include what will the responsibilities of each licensee be, should there be a lead organization, what revenue sharing options would be appropriate, what functions and equipment should be shared and how much separation is needed between licensees.

Shared Facilities: Licensees requested flexibility and minimal regulation when sharing a facility. Licensees felt operating details could be handled between licensees via a contract.

Gambling Warning: Licensees asked if the caution was to be included in advertisements if their organization operated bingo no more than three times a week in a facility that offered bingo more than three days a week. (The answer to this question is Yes. If a premises is used more than three days a week, everyone using the premises must comply with the warning requirement.)

Equipment ownership: Licensees wanted the ability to rent and lease their gambling equipment to other bingo licensees when sharing a facility.

The following two rules packages were presented at the June Commission meeting.

Rules Package 15A includes the minimum rules changes necessary to implement the bingo legislation.

Rules Package 15B was also included for the Commission's review at the request of bingo licensees. During meetings with the bingo industry, licensees

requested the ability to have shared management within a shared facility and this package addresses that request of bingo licensees. Whether or not to allow shared management is a policy call for the Commission.

If you would like to view copies of these rules, please visit our website, or, if you would like a copy mailed to you call 1-800-345-2529, ext. 3470.

FINGERPRINT LEGISLATION

During the 2002 legislative session, Senate Bill 6491 was passed to amend RCW 9.46.070 (copy follows). This amendment clarifies the Commission's ability to perform fingerprinting and National Criminal History background checks on applicants for a gambling license. The new law requires the Commission to identify which persons named on an application are subject to the National Criminal History Background Checks. Therefore, WAC 2390-04-180 has been amended to set forth which applicants are subject to these background checks.



The following pages include rules passed at the May Commission meeting. They become effective July 1, 2002. Please remove the rules and place into the appropriate section of your rules manual as required in WAC 230-12-080.

Also, included are the changes made to RCW 9.46 (state law) passed in the 2002 Legislative Session, which became effective June 13, 2002.

AMENDED

The following section of the Washington Administrative Code is repealed:

WAC 230-02-145 Promotional marketing gifts.

NEW SECTION

WAC 230-12-045 Promotions for gambling activities--Conditions--Restrictions. Licensees may conduct promotions connected with authorized gambling activities under the following conditions and restrictions:

Definitions.

(1) **Gambling promotions** are directly connected to a gambling activity. A promotion may offer cash, merchandise, and/or discounted coupons to encourage a player to begin or continue play in a gambling activity.

(2) **Promotional contests of chance** are defined in RCW 9.46.0356. These contests are designed for a business to advertise or promote its goods, wares, merchandise, or services. These contests must be open to all customers and there must always be a free method of entry.

Conditions.

(3) The following conditions apply to promotions:

(a) All players must have an equal opportunity to participate;

(b) A promotion may provide an initial opportunity to engage in a gambling activity for free or at a discount; and

(c) All rules or restrictions governing the promotions shall be conspicuously displayed in the gaming area and referred to on any promotional coupon or advertisement.

Restrictions.

(4) The following restrictions apply to promotions:

(a) Any promotion offered to an individual player shall not exceed five hundred dollars in actual cost, per item;

(b) Promotions shall not consist of schemes in which the prize or end result is an additional opportunity to engage in a gambling activity regulated by the Washington state gambling commission; and

(c) Gambling activities and related promotions shall not be combined in any way with promotional contests of chance, as defined in RCW 9.46.0356.

AMENDATORY SECTION

WAC 230-12-050 Extension of credit, loans, or gifts prohibited--Limited exception. No licensee, member or employee thereof shall extend credit, make a loan, or grant a gift to any person playing in an authorized gambling activity, or which enables a person to play in an authorized gambling activity.

Gifts prohibited - Exceptions.

(1) Gifts are items licensees give away to its customers and are not connected to gambling activities regulated by the commission. Licensees shall not offer gifts in conjunction with gambling activities, with the following exceptions:

(a) Promotions are allowed as authorized by WAC 230-12-045;

(b) Free or discounted food, drink or merchandise may be provided under the following conditions:

(i) The actual cost of any individual item may not exceed five hundred dollars;

(ii) The merchandise shall not be traded back to the licensee for cash or be used to further participate in an authorized gambling activity;

(c) For each individual gift with an actual cost over one hundred dollars, charitable and nonprofit organizations shall prepare and maintain a written record with the following information:

(i) How the recipients of the gifts were selected;

(ii) The number of gifts awarded; and

(iii) The total cost of each gift given.

Credit and loans prohibited - Exceptions.

(2) The consideration required to participate in the gambling activity shall be collected in full, by cash, check, or electronic point-of-sale bank transfer, prior to participation(~~(:—Provided, That this prohibition shall not apply to the following situations)~~), with the following exceptions:

Punch boards/pull-tabs.

~~((4))~~ (a) The consideration paid for the opportunity to play a punch board or pull-tab series may be collected immediately after the play is completed only when such consideration is ten dollars or less;

Charitable/nonprofit organization's billing system for members.

~~((2))~~ (b) When a bona fide charitable or bona fide nonprofit organization conducting any of the activities authorized by chapter 9.46 RCW or commission rules has a regular billing system for all of the activities of its members with such organization, such billing system may be utilized in connection with the playing of any of the activities authorized hereunder if:

~~((a))~~ (i) The playing of such activity is limited to regular members of such organization who have become regular members prior to the commencement of such activity and whose qualifications for membership were not dependent upon, or in any way related to, the playing of such activity; and

~~((b))~~ (ii) The ((commission)) director has given ((its)) prior written consent to the use of such billing system in connection with the conduct of activities authorized under these rules.

Raffle tickets purchased with credit cards.

~~((3))~~ (c) Charitable or nonprofit organizations utilizing credit cards, issued by a state and/or federally regulated financial institution, for payment to participate in raffles(~~(, and~~

Promotional gifts.

~~(4) Promotional gifts detailed below:~~

- ~~(a) The providing of free or discounted food, drink, or merchandise to card players at a public card room;~~
- ~~(b) Promotional activities conducted as a part of bingo games and authorized by WAC 230-20-125;~~
- ~~(c) Performances as authorized by WAC 230-20-111;~~
- ~~(d) Free play for card playing as authorized by WAC 230-40-050(7);~~
- ~~(e) "Free roll" or customer appreciation tournaments as authorized by WAC 230-40-055(2); and~~
- ~~(f) Promotional game cards meeting the standards of WAC 230-46-070(1).~~

~~Food and drink to bingo players.~~

- ~~(5) Free or discounted food or nonalcoholic drink to bingo players)).~~

REPEALER

The following section of the Washington Administrative Code is repealed:

WAC 230-20-111	Promotional activities--Performances as gifts--Advance approval required.
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REPEALER

The following section of the Washington Administrative Code is repealed:

WAC 230-20-125	Discounts and promotional gifts--Authorized--Limits.
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REPEALER

The following section of the Washington Administrative Code is repealed:

WAC 230-20-230	Free games for winners--Restrictions.
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REPEALER

The following section of the Washington Administrative Code is repealed:

WAC 230-40-897 Card game promotions--Procedures--Restrictions.

AMENDATORY SECTION

WAC 230-40-800 Operating rules for house-banked card games. Licensees that operate house-banked card games shall establish rules and procedures governing each specific house-banked card game played at their premises. The following restrictions and procedures apply:

(1) House-banked card games shall not be operated prior to approval as set forth in WAC 230-40-010;

(2) All house-banked card games shall be dealt from a dealing shoe or an approved shuffling device;

(3) The licensee shall submit all rules governing the game to commission staff for approval. All requests shall be in writing and include at least the following:

(a) Rules of play, including those specified by the manufacturer or supplier;

(b) Any administrative or accounting controls applicable to specific games;

(c) All specifications provided by the equipment manufacturer or supplier applicable to gaming equipment utilized in the game;

(d) Physical characteristics of the following:

(i) Cards (including procedures for receipt and storage);

(ii) Gaming chips used to play the game;

(iii) All gaming tables and layouts;

(iv) Dealing shoes;

(v) Card shuffling devices;

(vi) Card peeking devices;

(vii) Bill changer devices; and

(viii) Such other equipment as may be required for use in otherwise authorized games;

(4) Rules for each authorized game, shall include at least the following:

(a) Procedures of play;

(b) Minimum and maximum permissible wagers;

(c) Shuffling, cutting, and dealing techniques, as applicable;

(d) Dealer take and pay procedures;

(e) Payout odds on each form of wager, including any factors affecting payments to the player, such as maximum player or aggregate prize restrictions; and

(f) Procedures to be followed on occurrence of irregularities, including examples of irregularities applicable to each game;

(5) A summary of playing procedures and rules of play for each game shall be visibly displayed in the gaming area. If the procedures or restrictions are game specific, they shall be displayed at each gaming table at which the game is played(;

~~(6) Full details on all promotions, schemes or other means used to promote card games operated in card rooms which offer house-banked card games must be submitted to commission staff and be approved prior to implementing)).~~

AMENDATORY SECTION: FINGER PRINT LEGISLATION

Sec. 1. RCW 9.46.070 and 1999 c 143 s 6 are each amended to read as follows:

The commission shall have the following powers and duties:

(1) To authorize and issue licenses for a period not to exceed one year to bona fide charitable or nonprofit organizations approved by the commission meeting the requirements of this chapter and any rules and regulations adopted pursuant thereto permitting said organizations to conduct bingo games, raffles, amusement games, and social card games, to utilize punch boards and pull-tabs in accordance with the provisions of this chapter and any rules and regulations adopted pursuant thereto and to revoke or suspend said licenses for violation of any provisions of this chapter or any rules and regulations adopted pursuant thereto: PROVIDED, That the commission shall not deny a license to an otherwise qualified applicant in an effort to limit the number of licenses to be issued: PROVIDED FURTHER, That the commission or director shall not issue, deny, suspend, or revoke any license because of considerations of race, sex, creed, color, or national origin: AND PROVIDED FURTHER, That the commission may authorize the director to temporarily issue or suspend licenses subject to final action by the commission;

(2) To authorize and issue licenses for a period not to exceed one year to any person, association, or organization operating a business primarily engaged in the selling of items of food or drink for consumption on the premises, approved by the commission meeting the requirements of this chapter and any rules and regulations adopted pursuant thereto permitting said person, association, or organization to utilize punch boards and pull-tabs and to conduct social card games as a commercial stimulant in accordance with the provisions of this chapter and any rules and regulations adopted pursuant thereto and to revoke or suspend said licenses for violation of any provisions of this chapter and any rules and regulations adopted pursuant thereto: PROVIDED, That the commission shall not deny a license to an otherwise qualified applicant in an effort to limit the number of licenses to be issued: PROVIDED FURTHER, That the commission may authorize the director to temporarily issue or suspend licenses subject to final action by the commission;

(3) To authorize and issue licenses for a period not to exceed one year to any person, association, or organization approved by the commission meeting the requirements of this chapter and meeting the requirements of any rules and regulations adopted by the commission pursuant to this chapter as now or hereafter amended, permitting said person, association, or organization to conduct or operate amusement games in such manner and at such locations as the commission may determine;

(4) To authorize, require, and issue, for a period not to exceed one year, such licenses as the commission may by rule provide, to any person, association, or organization to engage in the selling, distributing, or otherwise supplying or in the manufacturing of devices for use within this state for those activities authorized by this chapter;

(5) To establish a schedule of annual license fees for carrying on specific gambling activities upon the premises, and for such other activities as may be licensed by the commission, which fees shall provide

Effective Date: June 13, 2002

to the commission not less than an amount of money adequate to cover all costs incurred by the commission relative to licensing under this chapter and the enforcement by the commission of the provisions of this chapter and rules and regulations adopted pursuant thereto: PROVIDED, That all licensing fees shall be submitted with an application therefor and such portion of said fee as the commission may determine, based upon its cost of processing and investigation, shall be retained by the commission upon the withdrawal or denial of any such license application as its reasonable expense for processing the application and investigation into the granting thereof: PROVIDED FURTHER, That if in a particular case the basic license fee established by the commission for a particular class of license is less than the commission's actual expenses to investigate that particular application, the commission may at any time charge to that applicant such additional fees as are necessary to pay the commission for those costs. The commission may decline to proceed with its investigation and no license shall be issued until the commission has been fully paid therefor by the applicant: AND PROVIDED FURTHER, That the commission may establish fees for the furnishing by it to licensees of identification stamps to be affixed to such devices and equipment as required by the commission and for such other special services or programs required or offered by the commission, the amount of each of these fees to be not less than is adequate to offset the cost to the commission of the stamps and of administering their dispersal to licensees or the cost of administering such other special services, requirements or programs;

(6) To prescribe the manner and method of payment of taxes, fees and penalties to be paid to or collected by the commission;

(7) To require that applications for all licenses contain such information as may be required by the commission: PROVIDED, That all persons (a) having a managerial or ownership interest in any gambling activity, or the building in which any gambling activity occurs, or the equipment to be used for any gambling activity, or (b) participating as an employee in the operation of any gambling activity, shall be listed on the application for the license and the applicant shall certify on the application, under oath, that the persons named on the application are all of the persons known to have an interest in any gambling activity, building, or equipment by the person making such application: PROVIDED FURTHER, That the commission ~~((may))~~ shall require fingerprinting and national criminal history background checks on any persons seeking licenses, certifications, or permits under this chapter or of any person holding an interest in any gambling activity, building, or equipment to be used therefor, or of any person participating as an employee in the operation of any gambling activity. All national criminal history background checks shall be conducted using fingerprints submitted to the United States department of justice-federal bureau of investigation. The commission must establish rules to delineate which persons named on the application are subject to national criminal history background checks. In identifying these persons, the commission must take into consideration the nature, character, size, and scope of the gambling activities requested by the persons making such applications;

(8) To require that any license holder maintain records as directed by the commission and submit such reports as the commission may deem necessary;

(9) To require that all income from bingo games, raffles, and amusement games be recorded and reported as established by rule or regulation of the commission to the extent deemed necessary by considering the scope and character of the gambling activity in such a manner that will disclose gross income from any gambling activity, amounts received from each player, the nature and value of prizes, and the fact of distributions of such prizes to the winners thereof;

(10) To regulate and establish maximum limitations on income derived from bingo. In establishing limitations pursuant to this subsection the commission shall take into account (i) the nature, character, and scope of the activities of the licensee; (ii) the source of all other income of the licensee; and (iii) the percentage or extent to which income derived from bingo is used for charitable, as distinguished from nonprofit, purposes. However, the commission's powers and duties granted by this subsection are discretionary and not mandatory;

(11) To regulate and establish the type and scope of and manner of conducting the gambling activities authorized by this chapter, including but not limited to, the extent of wager, money, or other thing of value which may be wagered or contributed or won by a player in any such activities;

(12) To regulate the collection of and the accounting for the fee which may be imposed by an organization, corporation, or person licensed to conduct a social card game on a person desiring to become a player in a social card game in accordance with RCW 9.46.0282;

(13) To cooperate with and secure the cooperation of county, city, and other local or state agencies in investigating any matter within the scope of its duties and responsibilities;

(14) In accordance with RCW 9.46.080, to adopt such rules and regulations as are deemed necessary to carry out the purposes and provisions of this chapter. All rules and regulations shall be adopted pursuant to the administrative procedure act, chapter 34.05 RCW;

(15) To set forth for the perusal of counties, city-counties, cities and towns, model ordinances by which any legislative authority thereof may enter into the taxing of any gambling activity authorized by this chapter;

(16) To establish and regulate a maximum limit on salaries or wages which may be paid to persons employed in connection with activities conducted by bona fide charitable or nonprofit organizations and authorized by this chapter, where payment of such persons is allowed, and to regulate and establish maximum limits for other expenses in connection with such authorized activities, including but not limited to rent or lease payments. However, the commissioner's powers and duties granted by this subsection are discretionary and not mandatory.

In establishing these maximum limits the commission shall take into account the amount of income received, or expected to be received, from the class of activities to which the limits will apply and the amount of money the games could generate for authorized charitable or nonprofit purposes absent such expenses. The commission may also take into account, in its discretion, other factors, including but not limited to, the local prevailing wage scale and whether charitable purposes are benefited by the activities;

(17) To authorize, require, and issue for a period not to exceed one year such licenses or permits, for which the commission may by rule provide, to any person to work for any operator of any gambling activity authorized by this chapter in connection with that activity, or any manufacturer, supplier, or distributor of devices for those activities in connection with such business. The commission shall not require that persons working solely as volunteers in an authorized activity conducted by a bona fide charitable or bona fide nonprofit organization, who receive no compensation of any kind for any purpose from that organization, and who have no managerial or supervisory responsibility in connection with that activity, be licensed to do such work. The commission may require that licensees employing such unlicensed volunteers submit to the commission periodically a list of the names, addresses, and dates of birth of the volunteers. If any volunteer is not approved by the commission, the commission may require that the licensee not allow that person to work in connection with the licensed activity;

(18) To publish and make available at the office of the commission or elsewhere to anyone requesting it a list of the commission licensees, including the name, address, type of license, and license number of each licensee;

(19) To establish guidelines for determining what constitutes active membership in bona fide nonprofit or charitable organizations for the purposes of this chapter; and

(20) To perform all other matters and things necessary to carry out the purposes and provisions of this chapter.

AMENDATORY SECTION: BINGO LEGISLATION

Sec. 1. RCW 9.46.0205 and 1987 c 4 s 3 are each amended to read as follows:

"Bingo," as used in this chapter, means a game conducted only in the county within which the organization is principally located in which prizes are awarded on the basis of designated numbers or symbols on a card conforming to numbers or symbols selected at random and in which no cards are sold except at the time and place of said game, when said game is conducted by a bona fide charitable or nonprofit organization (~~((which does not conduct or allow its premises to be used for conducting bingo on more than three occasions per week and which does not conduct bingo in any location which is used for conducting bingo on more than three occasions per week))~~), or if an agricultural fair authorized under chapters 15.76 and 36.37 RCW, which does not conduct bingo on more than twelve consecutive days in any calendar year, and except in the case of any agricultural fair as authorized under chapters 15.76 and 36.37 RCW, no person other than a bona fide member or an employee of said organization takes any part in the management or operation of said game, and no person who takes any part in the management or operation of said game takes any part in the management or operation of any game conducted by any other organization or any other branch of the same organization, unless approved by the commission, and no part of the proceeds thereof inure to the benefit of any person other than the organization conducting said game. For the purposes of this section, the organization shall be deemed to be principally located in the county within which it has its primary business office. If the organization has no business office, the organization shall be deemed to be located in the county of principal residence of its chief executive officer: PROVIDED, That any organization which is conducting any licensed and established bingo game in any locale as of January 1, 1981, shall be exempt from the requirement that such game be conducted in the county in which the organization is principally located.

NEW SECTION. Sec. 2. A new section is added to chapter 9.46 RCW to read as follows:

The commission may allow existing licensees under RCW 9.46.070(1) to share facilities at one location.

NEW SECTION. Sec. 1. A new section is added to chapter 9.46 RCW to read as follows:

An entity licensed under RCW 9.46.070(1) which conducts or allows its premises to be used for conducting bingo on more than three occasions per week shall include the following statement in any advertising or promotion of gambling activity conducted by the licensee:

"CAUTION: Participation in gambling activity may result in pathological gambling behavior causing emotional and financial harm. For help, call 1-800-547-6133."

For purposes of this section, "advertising" includes print media, point-of-sale advertising, electronic media, billboards, and radio advertising.

Effective Date: June 13, 2002

Information on Electronic Benefits Card Laws passed during 2002 Legislative Session

**Note: ONLY SECTIONS 2 & 3 AMEND RCW 9.46 The Gambling Act
Sections 1, 4 & 5 Amend Public Assistance, Horse Racing and Lottery Statutes**

NEW SECTION. Sec. 1. A new section is added to chapter 74.08 RCW to read as follows:

(1) Any person receiving public assistance is prohibited from using electronic benefit cards or cash obtained with electronic benefit cards:

- (a) For the purpose of participating in any of the activities authorized under chapter 9.46 RCW;
- (b) For the purpose of parimutuel wagering authorized under chapter 67.16 RCW; or
- (c) To purchase lottery tickets or shares authorized under chapter 67.70 RCW.

(2)(a) The department shall notify, in writing, all recipients of electronic benefit cards that any violation of subsection (1) of this p. 1 SHB 2767.SL

section could result in legal proceedings and forfeiture of all cash public assistance.

(b) Whenever the department receives notice that a person has violated subsection (1) of this section, the department shall notify the person in writing that the violation could result in legal proceedings and forfeiture of all cash public assistance.

(c) The department shall assign a protective payee to the person receiving public assistance who violates subsection (1) of this section.

NEW SECTION. Sec. 2. A new section is added to chapter 9.46 RCW to read as follows:

- (1) Any licensee authorized under this chapter is prohibited from allowing the use of public assistance electronic benefit cards for the purpose of participating in any of the activities authorized under this chapter.
- (2) Any licensee authorized under this chapter shall report to the department of social and health services any known violations of section 1 of this act.

NEW SECTION. Sec. 3. A new section is added to chapter 9.46 RCW to read as follows:

The commission shall consider the provisions of section 2 of this act as elements to be negotiated with federally recognized Indian tribes as provided in RCW 9.46.360. 23

NEW SECTION. Sec. 4. A new section is added to chapter 67.16 RCW to read as follows:

(1) Any licensee authorized under this chapter is prohibited from allowing the use of public assistance electronic benefit cards for the purpose of parimutuel wagering authorized under this chapter.

(2) Any licensee authorized under this chapter shall report to the department of social and health services any known violations of section 1 of this act.

NEW SECTION. Sec. 5. A new section is added to chapter 67.70 RCW to read as follows:

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(1) Any licensee authorized under this chapter is prohibited from allowing the use of public assistance electronic benefit cards to purchase lottery tickets or shares authorized under this chapter.

(2) Any licensee authorized under this chapter shall report to the department of social and health services any known violations of section 1 of this act.

Upcoming Commission Meetings

July – No meeting

August 8 & 9

Shilo Inn
707 Ocean Shores Blvd NW
Ocean Shores, WA 98569-9593

(360) 289-4600

September – No meeting

October 10 & 11

WestCoast Grand Hotel at The Park
303 W North River Road
Spokane, WA 99202

(509) 326-8000

November 14 & 15

DoubleTree Guest Suites Southcenter
16500 Southcenter Parkway
Seattle, WA 98199

(206) 575-8220

December – No meeting



Operational Questions / Regional Offices

Lynnwood	(425) 776-6751	Tacoma	(253) 471-5312	Spokane	(509) 456-3167
Bellingham	(360) 738-6203	Yakima	(509) 575-2820	Wenatchee	(509) 662-0435

Headquarters

Lacey (800) 345-2529 or (360) 486-3440

Administration	3447	Administrative Charges & Cases	3465
Media Questions	3466/3463	Tribal Negotiations (Class III)	3449/3468
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Unlicensed Raffles	3466/3467	Human Resources (Personnel)	3457
Business Promotional Contest of Chance	3466/3467	Regulatory Questions/Field Operations	*

*** Call the closest regional office listed above**

Washington State Council on Problem Gambling
(800) 547-6133

WASHINGTON STATE GAMBLING COMMISSION

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